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TO: (Name, office, room, phone number, building, room, etc.)		Initials	Date
1.	B/PERSONAL		
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Action	File	Note and Return
Approval	For Clearance	For Conversation
As Requested	For Correction	Prepare Reply
Circulate	For Your Information	See Me
Comment	Investigate	Signature
Coordination	Study	

REMARKS

#1 - FOR ACTION

PRIORITY

(PLS PREPARE RESPONSE FOR DDA'S SIGNATURE)

SUSPENSE:

14
NOVEMBER 1985

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FROM	Room No.—Bldg.
	Phone No.
3041	FORM 41 (Rev. 7-76)

U.S. GPO: 1980-421-529/320

FORM 41 OF 100-11-100

To: (Name, office symbol, room number, building, agency/post)		Initials	Date
1.	D/PERSONNEL		
2.			
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4.			
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Action	File	Note and Return
Approval	For Clearance	For Conversation
No Response	For Clearance	Prepare Reply
Complete	For Your Information	See file
Comment	Investigate	Signature
Coordination	Reply	

REMARKS

#1 - FOR ACTION

PRIORITY

(PLS PREPARE RESPONSE FOR DDA'S SIGNATURE)

SUSPENSE:

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	concurrences, disposals,
	Room No.—Bldg.
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FORM 41 (Rev. 7-76)

* U.S.G.P.O.: 1983-421-529/320

Prescribed by GSA
FPMR (41 CFR) 101-11.906

Executive Registry

85- 4358

6 NOV 1985

DD/A Registry
85-3842

MEMORANDUM FOR: [REDACTED] 7D18

DDI
DDO
DDS&T
COMPT

FROM : Executive Director

SUBJECT : [REDACTED]

1. The DDCI approved Recommendation 2 in the IG Survey of PMCD, which instructed me to "...place the policy represented at Tab A on an early agenda of the EXCOM to ensure that it receives a thorough management review." The policy at issue, and the portion of the IG report which addresses it, are attached.

2. In summary, we worked ourselves into a 1,000 grade point deficit over the past few years through the use of deferred allocations of position resources. Out of fear that by so doing we were establishing an unrealistic expectation of future average grade growth that could eventually cause morale and management problems, the DDA put some controls in place (the attached "policy") to keep average grade creep within bounds by forcing management to plan ahead. The IG team, while recognizing the advantage of good planning, argues that these new rules may hinder our organizational flexibility if certain conditions prevail.

3. We will have resolved the grade point problem, at least temporarily, if our FY 86 and FY 87 average grade requests (11.05 and 11.08 respectively) are approved in the budget process. The policy is still on the books. The question now centers on how well the new controls it contains serve the Agency.

4. Before calling an EXCOM meeting, I would like to see how divergent your views may be. To that end, [REDACTED]

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ILLEGIB

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James H. Taylor

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ADMINISTRATIVE - INTERNAL USE ONLY

D/Pers 85-664

FEB 22 1985

DD/A Registry
85-0845

MEMORANDUM FOR: Deputy Director for Administration

VIA: Comptroller

FROM: Robert W. Magee
Director of Personnel

SUBJECT: Agency Position Average Grade

1. Action Requested: As a follow up to our briefing for you on 11 February 1985 on the same subject, it is requested that you approve the recommendations in paragraph 3 to impose new budgetary controls over Agency position average grade.

2. Background: When the Agency implemented the current position management survey program in 1978-79, the deferred allocation was established to assure that position classification decisions could be reflected on component staffing complements independent of any external constraint on Agency position average grade. Thus, if the Position Management and Compensation Division (PMCD) found that a GS-13 position warranted an upgrade to the GS-14 level, but there were grade point restrictions (e.g., average grade constraints) which prevented implementation, the position could remain on the staffing complement as a GS-13 with a footnote "D1" indicating that the position was properly classified at the GS-14 level. Although the deferred allocation has no direct impact on Agency average grade or promotion headroom, it does represent an "IOU" from PMCD for a grade point when it comes available.

While the concept of the deferred allocation was brilliant in terms of building acceptance of the survey program and maintaining the integrity of the position classification system, it has a serious down side. Because the deferred allocation in effect releases all constraints from the manager to manage his position resources within an established average grade ceiling, there is no incentive to effectively structure positions to assure maximum efficiency. On the contrary, there is a greater incentive to use the position classification system to maximize promotion headroom for personnel to meet perceived needs for increased pay. Unfortunately, this trend is leading the Agency to a crisis in terms of our average grade constraints not unlike that of the Federal Government and its budget deficit. Over the past three years, our Agency average grade has been increased by the Office of Management and Budget (OMB) from 10.65 percent to 10.90 currently. During the same period our average grade deficit, expressed as grade points, has grown from approximately 600 in FY 82 to 1684 as of 30 November 1984. Projections from PMCD show this number remaining at around 1000 by the end of FY 85, even with the large increase in average grade for FY 85.

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SUBJECT: Agency Position Average Grade

To eliminate all deferred allocations projected through FY 85 would require an increase in Agency average grade to 10.97. In the FY '86 budget we have requested an increase to 10.95; however, this increase is intended to implement new positions coming to the Agency through the budget process. The Comptroller sees little or no hope that OMB would agree to an additional increase in Agency average grade sufficient to eliminate current deferred allocations. We must keep in mind that the rest of the Federal Government is undergoing a GS-11/15 reduction exercise, and, although OMB has backed off from enforcement of the reductions, it is likely that pressure for average grade reductions will continue. Our current exemption from the GS-11/15 reduction is based on our growth and our commitment to maintaining an internal control system. Yet since 1980, our ratio of GS-11/15 to total population (one of the Office of Personnel Management GS-11/15 measures) has increased from .550 in March 1981 to .586 in September 1984. And this increase does not reflect implementation of deferred allocations.

The upshot of our current situation is that our current deferred allocations are establishing an unrealistic expectation of future average grade growth that, if allowed to continue unabated, may serve to seriously undermine the morale of Agency employees and subject the Agency to external constraints that we neither need nor want. If we begin to deal with the situation now, we can regain management control relatively painlessly. Our current personnel average grade is 10.41, and has remained relatively static since FY 81. Thus, with a position average grade of 10.90, we currently do not have a headroom problem in the Agency, even without implementation of the deferred allocations.

3. Recommendations: To begin to regain control of the Agency average grade growth rate, it is recommended that you approve the following actions:

- a. That future grade points obtained through the budget process be allocated based on requests projected and approved through the formal budget process. As is currently the case, all position requests contained in the budget would continue to be subject to PMCD validation.
- b. That no grade points be allocated to ad hoc position evaluations. Although we recognize the legitimate need for management to respond to changing needs, these requests are essentially unfunded requirements. Therefore, requests which involve upgrades must be offset by downgrades of other positions in the organization which have eroded or been reduced in importance. Deferred allocations may not be used for ad hoc requests.
- c. That major reorganizations be implemented within existing component average grade. PMCD will be able to respond to management need for revised staffing complements in a more timely manner if detailed evaluations are not required of positions for which upgrades have been requested.

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d. That a formal education program be undertaken for personnel officers, administrative officers and managers to establish the link between the budget process and the position management and classification process.

e. That deferred allocations be used only to reflect grade point deficiencies resulting from PMCD position management survey decisions or new budgeted position requests, and that a time limit of three years be established for all deferred allocations during which management must develop plans to make good on the deferred requests either through the budget process or through internal realignments.

4. With your approval of the above actions, we will draft the necessary regulatory changes and introduce them into the coordination process.

STAT



Robert W. Magee

CONCUR:

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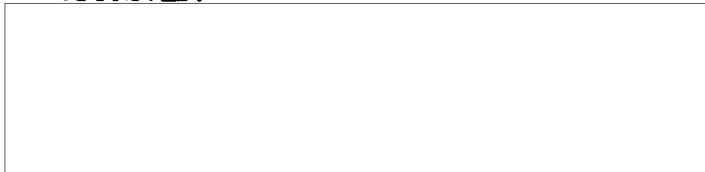


Controller

3/11/85
Date

APPROVED:

STAT



Deputy Director for Administration

3/11/85
Date

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F. AVERAGE GRADE CONCERNS

It is PMCD's job to classify Agency positions according to objective criteria and not to be guided by concerns about upward or downward "creep" in the Agency's average grade. Indeed, if PMCD were to tailor its grade calls so as to affect the average grade, it would impugn the integrity of the classification process. Nevertheless, the Division still must worry about whether the budget-imposed average grade will prevent implementation of its classification findings. In recent years this has often been the case.

As we have pointed out, when PMCD decides positions should be upgraded but the component does not have the needed points, the Division gives what it calls "deferred allocations"--IOUs for the upgrades when and if the points become available. If uncontrolled, deferred allocations tend to mushroom. For example, their number grew from about 600 in FY 1982 to almost 1,700 as of 30 November 1984, most of them in the DS&T. Although this figure is expected to drop to about 1,000 by the end of the current fiscal year, PMCD understandably describes this deficit situation as "very tenuous." Instantly paying off 1,000 IOUs would raise the Agency's average grade beyond the level (10.95) requested for FY 1986, and it would prevent the implementation of new positions planned for that year. Yet not paying them off has serious implications for 1,000 employees expecting headroom.

PMCD has attacked the problem by making some significant policy changes set forth in an April 1985 memorandum prepared by the Division, issued by D/Pers, and approved by the DDA and Comptroller (Tab A). Addressing the Deputy Directors and others, the memorandum states in essence that henceforth:

1. Management must develop plans to make good on outstanding deferred allocations within three years. This can be done either through internal realignments--e.g., compensating for an upgrade in one position by a downgrade elsewhere--or through the budget process.

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2. Grade points obtained through the budget process will be allocated to components in accordance with their requests approved through the budget process--i.e., points will be given to those who plan and program for them.

3. Except when there are compensatory downgrades, PMCD will no longer give upgrades or IOUs in ad hoc evaluations.

4. Component reorganizations that occur in the period between PMCD's formal surveys of that component must be implemented within the component's average grade.

In effect, PMCD and the Comptroller have advised Agency management that the time for belt-tightening and debt-payment has come, that increases in the Agency's average grade must be approved through the budget process, and that two favorite avenues to grade enhancement (ad hocs and reorganizations) are now closed for that purpose. At the same time, PMCD has affirmed its role in validating position grades obtained in the budget process, in responding to requests for ad hoc position evaluations, and in implementing reorganizations--subject, in the latter two cases, to the average grade proviso.

We are surprised at the lack of negative reaction thus far on the part of the deputy directors to this PMCD-sponsored initiative. The Agency is facing a "no-growth" budgetary period, especially for new personnel. In this event, we think PMCD's new policy could produce adverse consequences.

In the recent past, the deputy directors have been able to draw grade points from their pool of unfilled positions to help create headroom. This technique has been especially useful when a deputy director has needed to establish a new organizational entity to cope with added substantive duties he must address.

By the end of the current fiscal year, almost all Agency vacancies may well be filled. If so, dipping into the vacancy pool for grade points to apply to new upgrades will no longer be an option for the deputy directors. In addition, according

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to the new PMCD policy, they will not be able to obtain points from reorganizations or ad hoc inspections. Relying on the lengthy and cumbersome budgetary process could delay obtaining upgrades for as long as three years. For example, if the DDO should want to establish a new unit to work on a key current issue--e.g., terrorism or counterintelligence--he could not staff it with a traditional hierarchical structure without taking the needed grade points from another part of the DO, and none may be available until obtained through the budget process. While we agree that in theory the new policy appears to be desirable, we fear that it may prove unworkable in the real world. It could soon lead to administrative and organizational disruption as creative managers devise various means for getting around the headroom problem.

In sum, we believe that the deputy directors have not focused on the potential problems that could ensue from this PMCD-sponsored initiative.

Recommendation 2: We recommend that the DDCI place the policy presented at Tab A on an early agenda of the ExCom to ensure that it receives a thorough management review.

The DDA has made the following comments on Recommendation 2:

I question whether an ExCom meeting is necessary. I note (in the preceding discussion) that there are two mentions that would indicate that PMCD decides Agency policy, i.e., "PMCD and the Comptroller have advised Agency management..." and "in this event we think PMCD's new policy...". I wish to clarify that PMCD made recommendations to senior OP management and to me in this area, but that I made the formal decision to advise Agency management, with the coordination of the Comptroller, that there were problems with average grade growth. The underlying point in my doing so was the recognition that management needed to act at this time in order to forestall a greater problem four or five years in the future when we anticipate that the Agency will be in a no-growth situation. The whole focus of the policy promulgated by the memorandum was to call to the attention of senior Agency managers the fact that planning

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through the budget process is as necessary to realize an increase in our Agency average grade as it is to acquire any other personnel or financial resource. The memorandum obviously has caused further discussion of this issue. Subsequently, the Office of Personnel recommended that the FY-86 position average grade be increased to 11.05. I am advised that the Comptroller is now prepared to submit such a notification with the FY-87 budget to OMB. This increase will eliminate all current deferred allocations and allow for projected FY-86 growth. If this venture is successful, the need for components to provide offsets for ad hoc or reorganization upgrades as required by my memorandum would be alleviated for the time being. It should be noted that the policy as it is written does not impact on the ability of any Agency component, within their ceiling constraint, to establish a new unit or task force to meet an unexpected requirement. Our rank-in-the-person system provides management the flexibility to assign personnel without concern for the individual grade level of the position.

We do not believe that the possibility of an increase in the Agency's average grade constitutes sufficient reason for withdrawing our recommendation that the ExCom address the issues raised in the DDA's policy presented at Tab A. If the increase in average grade does not materialize, and the argumentation at Tab A suggests that it will not, then the recommendation stands. Even if the increase is approved, it makes sense to us for the most senior levels of Agency management to consider, prior to the anticipated crunch, whether or not the steps enunciated in Tab A are the appropriate ones for the Agency to take.

G. EVALUATIONS OF PMCD'S POSITION CLASSIFICATION WORK

1. PMCD's self-evaluation. PMCD's managers and personnel believe strongly that their Division is doing an excellent job. They differentiate between customers' former attitudes and those they perceive to be operating today. One noted that for years PMCD had been considered "a dirty four-letter word" and one of the "enemy" in many parts of the Agency. Today, PMCD officers believe, their work and that of their immediate predecessors has gone a long way toward dispelling these

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